

## Message Text

LIMITED OFFICIAL USE

PAGE 01 ANKARA 06013 01 OF 02 111409Z

ACTION TRSE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-08 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PM-05 H-01 L-03 PA-01 PRS-01 IGA-02

MCE-00 /106 W

-----094425 111459Z /44

P R 111249Z AUG 77

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC PRIORITY 8473

INFO AMCONSUL ADANA

AMEMBASSY ATHENS

AMEMBASSY BRUSSELS

AMCONSUL ISTANBUL

AMCONSUL IZMIR

AMEMBASSY NICOSIA

AMEMBASSY PARIS

USMISSION USUN NEW YORK

USDOCOSOUTH NAPLES

EUCOM

USCINCEUR

CINCUSAFE

USDOCOLANDSOUTHEAST IZMIR

DIA WASHDC

LIMITED OFFICIAL USE SECTION 1 OF 2 ANKARA 6013

USOECD, USEEC

E.O. 11652: N/A

TAGS: PINT, EINF, EGEN, MPOL, TU

SUBJECT: TURKISH FINANCE MINISTER SAYS ECONOMIC PROGRAM OF  
SECOND DEMIREL COALITION GOVERNMENT SAME AS FIRST

REF: (A) ANKARA 5706 (DTG 300830Z JUL 77), (B) ANKARA 5883

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ANKARA 06013 01 OF 02 111409Z

(DTG 060835Z AUG 77), (C) STATE 164398 (DTG 142121Z JUL 77)

SUMMARY: IN MEETING WITH ECONOMIC COUNSELOR, AT EMBASSY'S  
INITIATIVE, FINANCE MINISTER CIHAT BILGEHAN SAID  
THAT ECONOMIC PROGRAM OF PRIME MINISTER DEMIREL'S SECOND  
COALITION GOVERNMENT WAS ESSENTIALLY THE SAME AS HIS FIRST.  
MINISTER SAID THAT HE COULD NOT PROVIDE DETAILS, BECAUSE

THEY HAD NOT YET BEEN WORKED OUT, OF HOW VARIOUS ECONOMIC REFORMS, PROPOSED IN GENERAL TERMS BY GOVERNMENT, WOULD BE IMPLEMENTED. HE SUGGESTED THAT ALL ITEMS IN GOVERNMENT PROGRAM MIGHT NOT BE SERIOUS INTENTIONS. MINISTER, HOWEVER, DID SAY THAT GOVERNMENT HAS INSTRUCTED TURKISH FINANCIAL COUNSELOR IN WASHINGTON TO CONTACT IMF WITH VIEW TO ARRANGING DISCUSSIONS OF TERMS OF NEW CREDITS FOR TURKEY; HE EXPECTED TALKS TO BEGIN IN SEPTEMBER. MINISTER THOUGHT TURKEY NEEDED MINIMUM OF \$1 BILLION TO WIPE UP FOREIGN DEBTS DUE AND OVERDUE THIS YEAR. IMPRESSION FROM MEETING WAS THAT SECOND DEMIREL COALITION IS RESPONDING SLOWLY TO ITS ACUTE INTERNATIONAL PAYMENTS PROBLEM. IT IS STILL TOO EARLY TO ASSUME THAT DEMIREL MAY NOT TRY TO INITIATE REAL ECONOMIC REFORMS, BUT HIS OWN POLITICAL ENDS COULD LEAD HIM TO RESIST THEM. FURTHER, HE MAY FIND HIS COALITION PARTNERS, ESPECIALLY DEPUTY PRIME MINISTER ERBAKAN, STANDING IN THE WAY. DEMIREL'S "REFORM" PROPOSALS, THEREFORE, MIGHT BE MORE APPARENT THAN SUBSTANTIAL FOR AS LONG AS THE COALITION CAN GET AWAY WITH A MINIMAL COURSE. END SUMMARY.

1. CIHAT BILGEHAN (JUSTICE PARTY-JP), TURKEY'S NEW FINANCE MINISTER, WHEN ASKED HOW THE ECONOMIC PROGRAM OF JP PRIME MINISTER DEMIREL'S SECOND COALITION GOVERNMENT WOULD DIFFER FROM THE FIRST, SAID THAT HE FOUND IT DIFFICULT TO SAY. IN CONVERSATION WITH ECONOMIC COUNSELOR LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ANKARA 06013 01 OF 02 111409Z

AUGUST 8, ARRANGED AT LATTER'S REQUEST, BILGEHAN SAID THAT IN MANY RESPECTS IT WAS THE SAME PROGRAM, BUT EXPERIENCE GAINED DURING FIRST COALITION PERIOD AND UNDERSTANDING OF MISTAKES MADE THEN WOULD ENABLE SECOND COALITION TO ADMINISTER SAME PROGRAM IN MORE EFFECTIVE WAY.

2. MINISTER SAID THAT HE COULD NOT PROVIDE DETAILS OF HOW SECOND COALITION MIGHT IMPLEMENT SPECIFIC PROMISES IN ECONOMIC AREA PUT FORTH IN GOVERNMENT PROGRAM JULY 27 (REF A), AND MENTIONED BY PRIME MINISTER DEMIREL IN A PRESS INTERVIEW AUGUST 4 (REF B). HE POINTED OUT THAT NEW GOVERNMENT, IN OFFICE ONLY A WEEK, HAD NOT YET HAD TIME TO WORK OUT IMPLEMENTING DETAILS. MINISTER COULD NOT SAY, FOR EXAMPLE, WHAT MEASURES WOULD BE TAKEN TO

- CONTROL MONEY SUPPLY, ALTHOUGH HE DECLARED THIS OBJECTIVE TO BE ONE OF HIGH PRIORITY;
- ENCOURAGE INCREASE IN DOMESTIC SAVINGS FOR USE IN FINANCING INVESTMENT;
- REDUCE RATE OF INCREASE OF NEW CONSUMER LOANS;
- FACILITATE INVESTMENT;
- RAISE EXPORTS.

3. MINISTER ALSO ACKNOWLEDGED THAT CERTAIN PROMISES MADE IN GOVERNMENT'S PUBLISHED PROGRAM HAD NOT BEEN SERIOUS. OBSERVING THAT PROGRAM PROMISED TO ELIMINATE HIGH INTEREST RATES AND TO "TRY TO DEVELOP" INTEREST-FREE CREDITS, COUNSELOR ASKED WHAT STEPS WOULD BE TAKEN TO EFFECT THESE CHANGES. MINISTER REPLIED FIRMLY THAT THERE WAS NO WAY TO EFFECT A GENERAL REDUCTION OF HIGH TURKISH INTEREST RATES, AND, SEARCHING THROUGH A COPY OF THE GOVERNMENT PROGRAM IN A WAY THAT SUGGESTED THAT HE WAS UNFAMILIAR WITH ITS MENTION OF POSSIBLE ZERO INTEREST RATE ON LOANS FOR LOW-INCOME HOUSING AND AGRICULTURAL INPUTS, MINISTER DISMISSED ZERO INTEREST AS JUST A THOUGHT UNLIKELY TO BE REALIZED. (COMMENT: POST GOVERNMENT PROGRAMS TYPICALLY HAVE CONTAINED A HIGH PROPORTION OF RHETORIC AND PROMISES THAT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 ANKARA 06013 01 OF 02 111409Z

COULD NOT BE FULFILLED. LOWERED INTEREST RATES AND ZERO INTEREST HAVE BEEN PET THEMES OF NATIONAL SALVATION PARTY. THEY WERE MENTIONED IN THE PROGRAM, NO DOUBT, AS A CONCESSION TO THAT PARTY.)

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 ANKARA 06013 02 OF 02 111425Z  
ACTION TRSE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 SP-02 USIA-06 AID-05  
EB-08 NSC-05 SS-15 STR-04 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03  
LAB-04 SIL-01 PM-05 H-01 L-03 PA-01 PRS-01 IGA-02  
MCE-00 /106 W

-----094773 111458Z /44

P R 111249Z AUG 77

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC PRIORITY 8474

INFO AMCONSUL ADANA

AMEMBASSY ATHENS

AMEMBASSY BRUSSELS

AMCONSUL ISTANBUL

AMCONSUL IZMIR

AMEMBASSY NICOSIA

AMEMBASSY PARIS

USMISSION USUN NEW YORK  
USDOCOSOUTH NAPLES  
EUCOM  
USCINCEUR  
CINCUSAFE  
USDOCOLANDSOUTHEAST IZMIR  
DIA WASHDC

LIMITED OFFICIAL USE SECTION 2 OF 2 ANKARA 6013

USOECD, USEEC

4. BILGEHAN WAS SOMEWHAT MORE SPECIFIC ABOUT MEASURES TO INCREASE THE AVAILABILITY OF FOREIGN EXCHANGE. GOVERNMENT, HE SAID, WOULD CONTINUE TO DEPEND HEAVILY UPON FOREIGN BORROWING AND WORKER REMITTANCES FROM ABROAD. HE WAS CONFIDENT THAT TURKEY WOULD BE ABLE TO OBTAIN THE FOREIGN CREDITS THAT IT NEEDS. GOVERNMENT, HE SAID, HAS ALREADY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ANKARA 06013 02 OF 02 111425Z

INSTRUCTED TURKISH EMBASSY IN WASHINGTON TO CONTACT INTERNATIONAL MONETARY FUND (IMF) WITH A VIEW TO EXPLORING CREDIT POSSIBILITIES. HE THOUGHT THAT TALKS BETWEEN GOVERNMENT AND IMF ON TERMS OF IMF CREDITS TO TURKEY WOULD BEGIN IN SEPTEMBER.

5. ASKED WHETHER HE THOUGHT THAT \$600 MILLION, MENTIONED IN SOME BANKING CIRCLES AS AMOUNT TURKEY WOULD NEED TO MEET DEBT PAYMENTS OVERDUE AND COMING DUE IN REMAINING MONTHS OF THE YEAR, MINISTER SAID THAT FIGURE WAS TOO LOW (REF C). HE THOUGHT THAT MINIMUM NEED WAS \$1 BILLION, AND, OF COURSE, THE MORE TURKEY COULD GET, THE BETTER.

6. NOT MUCH OF NW CAPITAL NEEDED FOR TURKISH DEVELOPMENT APPEARS LIKELY TO COME IN THE FORM OF FOREIGN DIRECT INVESTMENT, TO JUDGE FROM MINISTER'S REMARKS. ALTHOUGH BILGEHAN BELIEVED THAT SECOND DEMIREL COALITION WOULD GIVE GREATER ENCOURAGEMENT TO FOREIGN DIRECT INVESTMENT THAN PRECEDING GOVERNMENT, HE THOUGHT THAT GOVERNMENT'S INTEREST IN FOREIGN INVESTORS WOULD BE PRIMARILY IN AREA OF PETROLEUM EXPLORATION.

7. AS COUNSELOR WAS TAKING LEAVE, MINISTER ASKED HER PERSONALLY TO DO WHATEVER SHE COULD TO EFFECT REMOVAL OF EMBARGO ON U.S. SALES OF MILITARY EQUIPMENT TO TURKEY. COUNSELOR REPLIED THAT SHE WOULD REPORT HIS CONCERN.

8. COMMENT: DEMIREL'S SECOND COALITION GOVERNMENT DOES NOT APPEAR TO HAVE MANY NEW IDEAS OR TO BE FIRED WITH NEW

ENERGY TO CONFRONT AND SOLVE TURKEY'S PRESSING ECONOMIC PROBLEMS. INSTEAD, IT IS SO FAR RESPONDING ONLY IN LIMITED WAY TO ITS ACUTE INTERNATIONAL PAYMENTS PROBLEMS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ANKARA 06013 02 OF 02 111425Z

9. THIS IS NOT TO SAY THAT PRIME MINISTER DEMIREL MAY NOT TRY TO INITIATE IN SOME DEGREE SOME OF THE REFORMS THAT HE HAS SO FAR ONLY VAGUELY TOUCHED UPON. ALL OF THOSE REFERRED TO ABOVE ARE ONES THAT THE IMF ITSELF MIGHT BE EXPECTED TO REQUIRE TURKEY TO UNDERTAKE AS CONDITIONS FOR CREDITS. IT WOULD BE USEFUL FOR DEMIREL DOMESTICALLY TO BE ABLE TO SAY THAT SUCH PROGRAMS HAD BEEN UNDERTAKEN AT TURKEY'S OWN INITIATIVE AND NOT IMPOSED UPON IT FROM OUTSIDE.

10. BUT DEMIREL MAY ENCOUNTER TOUGH POLITICAL OBJECTIONS TO REAL REFORMS. IF SECOND COALITION IS ESSENTIALLY SAME GOVERNMENT AS THE FIRST, THE OUTLOOK IS NOT BRIGHT FOR ECONOMIC REFORMS ORCEFULLY PURSUED. DEMIREL, UNDERSTANDABLY, IS NOT ANXIOUS TO INTRODUCE UNPOPULAR MEASURES. ALSO, IT IS POSSIBLE THAT DEMIREL MAY BE COMPELLED BY HIS NATIONAL SALVATION PARTY DEPUTY, NECMETTIN ERBAKAN, TO PUT FORWARD "REFORMS" THAT ARE MORE APPARENT THAN SUBSTANTIAL IN THE HOPE OF INDUCING THE RESUMPTION OF FOREIGN CREDITS WITH THE LEAST POSSIBLE DEFLATION OF ERBAKAN'S AMBITIONS FOR RAPID DEVELOPMENT OF HEAVY INDUSTRY IN TURKEY. THE EVIDENCE OFFERED BY THIS INTERVIEW SUGGESTS SUCH A MINIMAL COURSE FOR AS LONG AS TURKEY CAN GET AWAY WITH IT.  
SPIERS

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COALITION GOVERNMENT, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 11-Aug-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977ANKARA06013  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770289-0728  
**Format:** TEL  
**From:** ANKARA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770873/aaaackch.tel  
**Line Count:** 257  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 2d1ca45c-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 ANKARA 5706, 77 ANKARA 5883  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 30-Aug-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1638515  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TURKISH FINANCE MINISTER SAYS ECONOMIC PROGRAM OF SECOND DEMIREL COALITION GOVERNMENT SAME AS FIRST  
**TAGS:** PINT, ECON, EGEN, MPOL, TU, (BILGEHAN, CIHAT), (DEMIREL, SULEYMAN)  
**To:** STATE  
**Type:** TE  
**vdkgvkey:** odbc://SAS/SAS.dbo.SAS\_Docs/2d1ca45c-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009